

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, NOVEMBER 1, 2011, 4:00 P.M., CITY COMMISSION CHAMBERS.

Members Present: Chairman, Pamela K. Cully; Vice Chairman, Michael A. Perri, Jr.; Secretary, Darrell Drummond; Deputy Secretary, Daniel M. Delulio; Mayor Robert J. Benton III (left at 4:45); and David Recor, Ex-Officio Member/City Manager (arrived at 4:20).

Others present: William G. Thiess, Director of Utilities; Rupert N. Koblegard, III, FPUA Attorney; Nina Hurtubise, Director of Finance; Timothy E. Perkins, Director of Water/Wastewater Systems; Thomas W. Richards, Director of Electric & Gas Systems; Nancy Dallaire, Risk Manager; Levette Dixon, Communications Manager; and Tony Barnes, CFP Director of Administrative Services.

The meeting was called to order by Chairman Cully.

Invocation was given by Pastor Pinkie Hendley of New Life Christian Fellowship Church.

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

Levette Dixon, Communications Manager presented the Spirit of St. Lucie County Award that was presented to FPUA. She said it was with great pleasure to introduce to the Board today, Barbara Mika and Jessica Quinteros of the Finance Department. They were the United Way Chairs for FY 2010 and 2011. It is because of these two individuals she can present to the Board today, the 2010-2011 Spirit of St. Lucie County Award that United Way awards. Throughout the year, employees at FPUA have participated in various community service activities in an effort to enhance the quality of life in our community as stated in our mission statement. In recognition of our generous policies and practices of graciously giving back to the community, FPUA is the 2011 recipient of the United Way Spirit of St. Lucie County Award for companies with more than 50 employees. Ms. Dixon said this is the highest honor that United Way awards to a company that demonstrates excellence in all of the following categories: volunteerism, corporate philanthropy and internal United Way employee campaign. A short slide presentation was shown that shows FPUA employees throughout the community doing just what they do, giving back to the community. The first picture shows FPUA accepting the reward. Employees participated in Forest Grove's career day where they had a reality store, participated in blood drives, Early Learning Coalition Family Fun Day, the Sandy Shoes Festival Grapefruit Squeeze Off which FPUA is a 3rd time champion, Manatee Center Earth Day, Day of Caring at C.A. Moore where the hall ways were painted, Westwood Career Day, Mustard Seed Thanksgiving Dinner, Salvation Army Christmas Angel Program, Sights & Sounds Christmas Parade which we won 1st place last year, Chamber of Commerce Spelling Bee which we won 1st place, Health Department Toy Drive, and Bowl for Kids Sake. Ms. Dixon said those are a few of the activities FPUA employees participate in throughout the year. Personally, she would like to thank our internal United Way Chairs, Barbara Mika and Jessica Quinteros for their continued

leadership in our volunteer efforts through United Way. Also thank all the employees who generously give their time to enhance the quality of life in our community. It gives her great honor to know that she works with employees that believe in giving back to the community.

Mrs. Cully thanked Levette, Barbara, Jessica, and all the employees of FPUA.

Mrs. Cully asked if Staff or Board Members had any item they would like to remove from the Consent Agenda. *(Nothing was removed)*

A motion was made by Mayor Benton, seconded by Mr. Drummond, and unanimously carried to approve the items listed on the Consent Agenda:

1. Approval of the Minutes of the Regular Meeting of October 4, 2011.
2. Approval of Budget Transfer Request in the amount of \$35,600 to cover interest payable on remaining balance of funds advanced by St. Lucie County for Sunland Gardens MSBU Phase II.
3. Approval of a budget transfer of \$148,000 to the Water Treatment Plant Lime Softening Unit 1 Rehabilitation Project for a FY 2012 project cost of \$868,000.
4. Approval to piggyback GSA Contract #GS-30F-1028G, for the procurement, of an Altec Model No. AA55 Bucket/Material Truck, from Altec Industries, Inc., in the amount of \$179,979.00.

A letter was received from J. Randall McCamish, Director of the City of Vero Beach T&D Department thanking FPUA for sending a transmission crew and bucket trucks to help them repair their 69 KV line damaged during the storm in October. He also thanked FPUA Crew Supervisor Dennis Riordan, Linemen Robert Vaughn, Michael Goldsmith, Antonio Gonzales, and Daniel Brolmann for their safe and professional manner.

Mrs. Cully said there was a request from one of the Board members to move Item E3-Rate Comparisons for the month of September 2011 to in between D1 and D2 of Old Business.

A motion was made by Mr. Drummond and seconded by Mr. Perri to approve the Minutes of the Regular Meeting of October 18, 2011. Those voting in favor were Mr. Drummond, Mr. Perri, Mayor Benton, and Mrs. Cully. Mr. Delulio abstained since he was not at the October 18th meeting.

Nina Hurtubise, Finance Director presented the Rate Comparisons for the month of September 2011. She said what is displayed is September's comparison of residential electric rates compiled by the Florida Municipal Electric Association and actually Jessica does this every month. The graph displays the municipal electric bills in the State of Florida for the usage of 1,000 kWh. FPUA is identified in yellow and represents FPUA's relative position compared to other municipal electric utilities. FPUA is and continues to be 14th and is where we were last month. Since August, two utilities have increased their bills and 14 have decreased their bills, yet our relative position did not change. The only note worthy change was the very same utility mentioned last month, Williston decreased their bill \$12.43 after they increased it \$11 last month. They were at the highest on the comparison and they have dropped to 8th. On the 2,500 kWh comparison, FPUA is identified in yellow and is 10th. We have fallen four positions since last month on the 2,500 kWh. Ms. Hurtubise said all the Board members should have received today an updated page for the local comparison of the electric, water, and wastewater. There was one single change that was missed when putting it together. There was a 9 cent decrease in FPL's storm charge and that was the only thing that has changed on this comparison from last month. This is an information only item and no action is required by the Board.

Mr. Perri requested Ms. Hurtubise pull up the chart from the last meeting that had the blue line going across it.

Ms. Hurtubise said that is the chart done for the power cost adjustment (PCA) and she will pull it up. She asked if it was the one that was orange and blue.

Mr. Perri said it had the blue line going across it showing the PCA where it was and where we think it is going to be. He said looking at that chart, FPUA is going to have to steadily raise the PCA.

Ms. Hurtubise said based on the estimates of about two weeks ago, we will have another rate meeting in about one week, so at the next meeting you will see a chart like this with whatever FMPEA sends to us.

Mr. Perri said his concern is we have been telling the people that with all these changes we are going to make there is not going to be any rate increase. He asked if we are being technical that there is not going to be a rate increase, but there will be a PCA increase. That is confusing and misleading and Mr. Perri said he does not think it is fair to tout this change the way we are touting it. The people are going to see a rate increase. They look at the bottom line of their bill and that is what they have to pay to keep the lights on. There are going to be increases and it troubles Mr. Perri the way this whole thing is being presented. He believes we are deceptive there and he apologized on his part for not picking it up a little bit sooner.

Ms. Hurtubise said the changes in the customer bill related to the PCA are not going to be a result of any of the adjustments to the rates we have been talking about, but we expect it to be an increase in the bill.

Mr. Perri said he understands that it is not a by-product of what we are doing, but it is an increase. He said to stand up here and tell people there is going to be no increase in rates is very confusing and he is not comfortable with it.

Mr. Drummond said he clearly understands Mr. Perri's concerns, but he tends to be a tad optimistic. He said it has been trending differently from these projections of late and he is going to hold off until we see the report at the next meeting. Hopefully, we will not have to if it continues the way it has been to make that adjustment. Mr. Drummond said he does understand what Mr. Perri is concerned about.

Mr. Perri said he is all for not meeting expectations and hoping it goes the other way. A month or so ago, the Mayor said there was not going to be a rate increase to a whole bunch of people that were in here and the bill went up \$1 per 1,000 kWh.

Mayor Benton said that Mr. Thiess and he went personally and apologized because that night most of the Board Members were in the audience and he did not know they were looking at raising the PCA \$2 and was not given a nod one way or the other. They were there that night because they thought the City Commission was looking at a rate increase and they were not. Mr. Thiess and Mayor Benton sat down with some folks and the priest and basically went over why the numbers with the PCA are what they are. Mayor Benton said a lot of that is out of our control and hopefully they understand better what this Board has to deal with. Luckily it is the time of year when things cool off and he knows his bill has come down some because he has turned his a/c off. Mayor Benton said if people conserve, their bill will come down and that is what he would recommend to folks.

Mr. Thiess said it has been stated before, but he believes it is important for our customers to realize is there are two sides of this business. There is the wholesale side and the operational side in St. Lucie County and the City of Fort Pierce. Those two sides as far as revenue and expenses are almost for all practical purposes separate. When we talk about rate adjustments here, the rates staff brings to the City Commission and to this Board for adjustment that is on the operational side here and applies to the base rate of \$42.32. When we talk about a rate increase/decrease like last March when we brought a rate decrease of \$4 on the base rate that was \$46.32 and it is now \$42.32. Mr. Thiess said the local side of the business applies to the base rate and is the rates FPUA has control over. On the wholesale side of the business we have some impact on that because we have a representative on the Executive Committee of the All Requirements Project at FMPA. We are one vote out of 14 on that Board. Other than that, the wholesale side of the business is a completely different animal and the PCA goes up and down to satisfy the payment of the wholesale bill. Mr. Thiess said Mr. Perri is right and we need to be very clear when we talk about rate increases and decreases. He said we can talk about that on the local operational side, but we should probably say in the same breath it does not include what might happen on the wholesale side where we have these cyclic variations up and down and we have to adjust the PCA to account for the wholesale side of the business. We have all learned like Mayor Benton said, when we talk about no rate increases, we need to be more specific about the operational base rate that we run the utility with and state it does not affect what happens on the other side, the wholesale side of the PCA. It is something, other than having one vote on the Executive Committee, that is something pretty much out of our control and the cost has to be adjusted just to pay the bill. Mr. Perri made a good point that we need to be very clear about it up here to our customers.

Mr. Recor arrived at this point in the agenda at 4:20 p.m.

Mr. Thiess presented the conceptual plan for restructuring electric and gas rates. He said yesterday afternoon in these chambers there was a joint meeting with the City Commission and all of our Board was present so he will not have to rehash much of that. The purpose of the meeting was to look at the offer this Board made last month and look at bringing both Boards, FPUA and the City Commission, to some consensus on where we might go with the PCA, the Base Power Cost, and the City Distribution. After a good amount of discussion last night and some brief presentations by staff, there was consensus reached. The first area of consensus that was reached is both Boards agreed to accept the conceptual plan this Board had approved earlier. That plan was to move \$30 per megawatt-hour from the electric Power Cost Adjustment (PCA) into base power cost and to apply the Public Service Commission (PSC) Deflator Index to the base electric rate only (presently \$42.32) that we run the utility on here in the future, if needed to adjust those rates. On the gas rates it was to move \$0.17 per CCF from the Purchased Gas Adjustment (PGA) into the base gas rate and increase the gas rate 2.5%, which was part of a 5-year plan to increase gas, water, and wastewater rates over a five-year period to make those utilities self sufficient. After 2012, we would apply the PSC Deflator Index to the base gas rate only going forward with that utility, if needed. Mr. Thiess said the last part of the conceptual plan as far as the rates go is to increase water and wastewater rates 2.5% in early 2012, that also was the second year of the five year plan to bring those rates up to a level of self sufficiency and after 2012 apply the PSC Deflator Index to water and wastewater rates in the future, if needed. That agreement was better for the customers than the original 5-year plan because the original 5-year plan had gas, water, and wastewater increasing 2.5% for five years. If this is approved it will be 2.5% for two years and then a much lower percentage. The PSC Deflator Index is projected to go between 1.2% and 1.5% over the next five years. As far as our gas, water, and wastewater customers are concerned, this is a better rate progression over the next five years than the one brought to this Board a year ago. Mr. Thiess said both Boards also agreed as stated in the State Statutes the 10% City utility tax applied to electric would not apply to the dollars shifted from the PCA to base power costs. There is no City utility tax on gas. He said the next thing there was consensus on was the same scenario we have talked about individually, but have not formally approved at this Board was to advance the City a total of \$1.25 million in 2012-2013 to help with their cash flow issue. These new dollars from restructuring the rates will not hit the City Distribution until April 2013 and in April 2013 it will hit it for only three quarters. The shifting of \$30 amounts to about \$1 million a year of additional distribution to the City. In 2012 none of that will hit because 2012 is based on the audited financials for FY 2010-2011 and there will not be any additional dollars in there because it will not go into effect until January 2012. For the 2013 distribution, it will be short one quarter because January 2012 starts the second quarter of that fiscal year. The advancing of the \$1 million for 2012 compensates for the fact there is no additional distribution that will be seen in that year and the \$250,000 for 2013 accounts for the quarter that is missed before these rates go into effect. Mr. Thiess said repayment was agreed to start in April 2015 by deducting \$250,000 per year plus accrued interest from the distribution payments FPUA pays the City. Those interest payments are very nominal and we have proposed to do it at our cost of interest. Right now the interest on our short term investments is 0.3% which is much lower than it was five years ago. It was suggested at the workshop to offer this as a line of credit,

where the City could take none, part, or all of this over that period and in any portion they wanted to at any time. There was consensus on that issue. Mr. Thiess said the other thing discussed and he believes we all understand is if we move the \$30 now, it gets us out of the situation where the PCA is very high number and in comparison with other utilities. He said he knows some folks do not like to make that comparison because every City is different, but our overall distribution is low in comparison to others when we include all the PCA and the total revenue. Moving the \$30, most of the PCA is in the distribution calculation. Going forward, if we have another run up in fuel costs or natural gas prices, we could get in the situation where the PCA goes back up to \$54 again and we hope that does not happen. It is not trending that way and we hope it never gets there again. There was some consensus and Mr. Thiess said he does not believe we voted on it but somehow it needs to be addressed in the future. Staff is going to work on it and we do not think we can get a plan in place that we could think thoroughly about and put it in place in time to get through the Bond Insurers and get it back on the books by January 1. During the next year we need to look at that and not only the proposals laid out by Commissioner Becht, but look at the proposal laid out by PRMG, or the way Kissimmee does it as a dollar amount per megawatt hour or per 1,000 gallons sold. We need to step back after we get through with this process and look at all the options we have to do it the best way that serves our customers and does not hit them too hard, suits the business purposes of FPUA, and meets the expectations and needs of the City of Fort Pierce. Mr. Thiess said he sees that as an on-going process. When we go through these discussions with the Bond Insurers, which started today, we are going to ask some of those questions and see what latitude we have and where we can go with that. We will try to get some ideas of what we can and cannot do and the difficulty of doing certain things. They might even look at different scenarios, but that is much too difficult a question to solve between now and two weeks from now when we have to have all this locked up going through the Bond Insurers and get these rate resolutions back to this Board for approval in early December. It cannot be done and Mr. Thiess said he does not believe we should try and do it that quickly. If we are going to do something like that, we need to study it very carefully, see what other utilities are doing, and have a very careful approach to that. That summarizes the consensus reached yesterday and when Mr. Thiess talked to our Financial Advisor yesterday and today, he reiterated the fact we are trying to get these rates into effect by January 1st. It is a tough schedule for them to meet and he is going to do everything he can to meet it. That gives him about 30 days to get it to this Board at the first meeting in December. He believes he can get that through Assured Guaranty, the one Bond Insurer. AMBAC may be a little different and more problematic because they are in a bankruptcy situation and are being controlled by bankruptcy attorneys. Our goal is to get it back to this Board the first meeting of December with the rate resolutions ready to go with the restructured rates and then take them to the City Commission on December 19th. Mr. Thiess said he asked our Financial Advisor, Mitch Owens, to keep us apprised of how the schedule is going so we can get word to the Board and City Commission where we are on that schedule. Right now they have the orders to go very quickly and get this done by the first part of December as far as making sure we are okay with the Bond Covenants. All the Board Members should have received the new memo because we did not have all the information when the original agenda item was prepared. The new memo sums up the consensus of the two Boards

and Staff is asking for approval of the consensus as laid out in this memo so we can carry it to the City Commission for approval at their next meeting.

Mr. Drummond said he does not want to put a monkey wrench in this whole thing. He is going to try to go back to yesterday and see if he can make sense of what we agreed to. The loan advance or whatever you want to call it, we conceptually agreed to a laid out formula for \$1.25 million advancement and a repayment schedule of \$250,000 per year starting in 2015. The term "line of credit" gives him pause. It somewhat suggests there is an open-endedness of it, any part of it can be used and if portions of it are paid back, they pay the interest on that portion of it and it is there for use in the future. Mr. Drummond said he does not think that is what they conceptually talked about and nobody may believe that is what it is. He said the phrase "line of credit" gives him a little concern versus what he believes they were talking about.

Mr. Recor said he will attempt to explain what he believes Commissioner Becht's intent was. If there are additional opportunities for the City to offset the decline in its financial resources and it becomes unnecessary to have access to those funds, the City will not take them. He believes that is what Mr. Becht meant by "line of credit".

Mr. Drummond said that is what he was thinking too.

Mr. Recor said there are opportunities so the City may not need the entire amount.

Attorney Koblegard said we can also cap that to a period of time where the line of credit would be open for the \$1.25 million up until a certain date.

Mr. Drummond said if they use a portion of it and the repayment schedule being as we suggested and not a lesser amount and earlier periods and things of this nature, that becomes a financial nightmare and clouds the thought. Mr. Recor has expressed the desire as Mr. Drummond understood it that if they find other revenues, they may not need it. It is fine and we will put it there and they can decide whether or not they want to go ahead and use it. He is comfortable with that.

Mrs. Cully said that is how she understood it and if we read the one part that reads and "at any time prior to April 2015" so there is a deadline on it.

Mr. Drummond said he is used to thinking a line of credit in a certain way when he saw that. He said the other thing regarding 10% of base power cost on a whole integer basis without adjustment to the base or however Commissioner Becht expressed it and Commissioner Becht was very pleased with it. Mr. Drummond said he is a little concerned if Staff is looking at other options that we do not necessarily open the door to possibly different scenarios that call for higher percentages.

Mr. Thiess said he thinks if we are going to look at a permanent way to do the distribution and PCA that is going to put this to rest once and for all so we do not have to revisit it periodically, it may be that we do need to revisit it every two to three years. We are going to try and get through some of those conversations with the Bond Insurers to see what we can and cannot do going forward. What we will do is explore a lot of that and do a lot of the front end work on this as we go through these discussions with the Bond Insurers between now and December. Mr. Thiess said there are issues with this one that gave him some heartburn as far as being fair to the City and the Utility Authority in certain cycles. If this would have been in effect back when we had the big run up, we would have gone up and captured all the run up on a yearly basis doing a look back which would be good for the City. Going down that big slope from 2009, we dropped the PCA from \$54 to \$34, so we have \$20 or two years of a declining power cost where we would have ended up in a negative PCA situation for two or three years. We need to look very closely at this and be careful not to latch on to any one proposal. We need to look at them, see what other utilities are doing, see the best way to handle this long term and not try to do this very fast. We do not need to try to get something incorporated into these rate resolutions that are coming to this Board in 30 days. We do not want to knock something out real quick because we could make a decision like that and down the road, three, four, or five years we could say that is not working for us very well. We need to look at all angles, look at it very carefully, see what other utilities are doing, and pick the best way to handle this going forward.

Mr. Drummond said he is comfortable with not making it a part of this rate resolution and just making sure we get the \$30 over so the City can realize the benefit of that as quickly as possible. He said the concept he thought we were talking about is addressing that percentage of the PCA that will remain and how we would do it in a fashion in terms of going back and revisiting it so there is an opportunity to adjust accordingly based on what happens. If he is hearing correctly and speaking in terms of how other utilities handle it, in his mind it sounds as though we are opening the door to potentially every other possible way that one might address not just the PCA, but all aspects of the power cost. He does not think that was part of the dialogue yesterday. He thought it was pretty much an agreement that there was a percentage we were going to use as a trigger in some fashion to come back and revisit.

Mr. Thiess said he does not have any problem with revisiting it as long as it is not an automatic formula where when you hit a certain point that money moved from PCA to PGA because those get either the City or FPUA in trouble depending if we are on the up cycle or down cycle and it could get our customers in trouble. There is no problem revisiting it and maybe doing a two or three year revisit, even if it is triggered by a certain threshold, is the way we would have to handle it. Anything we do in that regard is going to need approval of this Board and be run by the City Commission again. The advance arrangement is going to be a separate agreement that would have to be approved by this Board and you would get a good chance to look at it and comment on it before it is brought to the Board for consideration. All those things would be agreed to at a future point in time after staff develops some scenarios and we can talk during that entire development either here at the Board or individually.

Mr. Perri questioned if we have 20% of the people getting electricity that are not in the City limits.

Mr. Thiess said the numbers were run on that and it is 17%.

Mr. Perri said it seems to him their money is going to pay for this extra transfer. He asked if that is taxation without representation and do they have any recourse against FPUA with what we are doing. He would also like to know the 10% tax, what does that amount to a year that is on the bill. How much do we collect for that?

Attorney Koblegard said it is about \$2.3 to \$2.5 million.

Mr. Thiess said that number is in the ballpark.

Mr. Perri said the out of county people do not pay that tax.

Mr. Thiess said that is the City tax. He said the out of county people pay a surcharge on electric and water/wastewater.

Mr. Perri said they do not pay the City tax.

Mr. Thiess said they do not pay the City tax.

Mr. Perri said there is \$5 million and then another \$2 million, which is \$7 million the City is getting and we are fixing to give them some more. He said it is still stressing him right there. We are deviating from the Charter as it was written and he thinks we are treading on thin ice there and he is not comfortable with the whole scenario still. Mr. Perri said he stayed up half the night trying to convince himself that it was good for the rate payers and he does not have anything to hang his hat on quite frankly. He said one more thing he would like to address about yesterday's meeting and he asked Ms. Hurtubise a question. When he stated the cash supply was about \$26 million and it included the amounts payable to vendors, Ms. Hurtubise stated it did not include the amounts payable to vendors. He said the paper he has here which was fixed up for Commissioner Alexander says it includes the \$6 million plus the \$2 million that is collected from customers, the over collection, and that left us with a cash of \$16 million.

Mr. Thiess said the \$26 million did include the bills to be paid. What he said is the 62 days excluded that. If we did the days of cash on the \$26 million it would be well over 62 days, but once you took out the \$6 million for the outstanding bills and the deposits held for customers, it took it down to 62 days.

Mr. Perri said he is trying to paint the picture that FPUA does not have as much money laying around as the City of Fort Pierce thinks we have. He said that is where he is coming from and what precipitated all of this. They are getting our rate payers to pay for their sins is how he looks at it. They cannot manage their money; they have overspent and are looking for the rate

payers instead of the tax payers to take care of their problems and that is wrong and philosophically he is against that.

Mayor Benton said as is happening throughout this whole country and is happening in the City of Fort Pierce, assets outweigh their debts. Unfortunately property values when they take a 40% reduction in three years, the City has to look at ways of bringing in the revenue needed for the debt. We have done it hopefully without raising taxes and putting a burden on the business people out there. Quite a bit of Fort Pierce does not pay much if any in ad valorem taxes. We have bills to pay and this is a route to go as we see what other cities are taking from their utilities they own. Some of them are taking up to 10%. Mayor Benton said we are dealing with a tough time we are in and it is not easy, but the sins of the past he does not agree with. He said the City has bills to pay and when those things were done and things were purchased, infrastructure built in the City because it is 100 years old which was inherited, somebody had to fix it, and somebody has to pay for it.

Mr. Perri said he does not want to get into a contest here, but the fact is if the City did not get into the real estate business, we would not be having this big problem today. The City borrowed a lot of money, like \$30 million in bonds and now they have to pay the piper. They paid the interest for five years or something and now they have to pay in 2013 and 2014 the big debt. Mr. Perri said that is what he gets. He said he knows the City is in a bad way, they are putting the burden on the rate payers, and the majority of the people that cannot afford it.

Mr. Drummond said as it relates to where he is today, what we are doing relates to only a fair return based on the 6%, that is the only thing he is dealing with. He quite frankly does not believe what the City has done or their financial situation has any bearing on what we are doing here today. He said he may philosophically have a different opinion of what the City should do and how they should do it. He is not running for office and his only concern now is with regard to whether or not what is being offered as a compromise is a fair representation of what was discussed in terms of the 6% transfer. That is the only thing he is looking at.

Mrs. Cully said that is exactly how she sees it as well and this is what we need to do. We had a consensus yesterday and now we need to move forward. She asked for a motion to approve this conceptual plan and request the staff to initiate the amendment of Bond Covenants to address such restructuring.

Mr. Drummond made a motion, seconded by Mr. Delulio to approve the conceptual plan for restructuring electric and gas rates and request staff to initiate amendment of bond covenants to address such restructuring. Those voting in favor of the motion were: Mr. Delulio, Mr. Drummond, Mayor Benton, and Mrs. Cully. Those voting against the motion were: Mr. Perri.

Mr. Thiess said the Financial Advisor said we should have a firm all inclusive proposal to do the bond work by the end of this week. We should be able to get that on the agenda for November 15th.

Mayor Benton left the meeting.

Tim Perkins, Director of Water/Wastewater Systems presented the Landfill Leachate Disposal Agreement between St. Lucie County and FPUA. He said staff has been working with St. Lucie County for 16 to 18 months on this agreement and it is a win/win for the community and the Utility. It will allow the landfill to pump their landfill Leachate to the mainland water reclamation facility site where we have an industrial deep injection well with 9.7 million gallons per day of capacity. Currently FPUA is using about 470,000 gallons a day of that capacity disposing of cooling water from the Treasure Coast Energy Center (TCEC). If all projects of the County come to fruition, this would be another 235,000 gallons a day that would be disposed of in the well. Mr. Perkins said the benefit to the County is they currently have to haul this waste out of the county and pay a private contractor between \$1.2 and \$1.8 million a year for that service. They are facing a \$6 to \$7 a ton tipping fee increase if they do not find an alternative method for disposal of the Leachate. By disposing of it at FPUA's site, it will generate about \$270,000 to \$280,000 in revenue to FPUA. It will increase the utilization of an underutilized facility, generate revenue for us, and have a market savings for the County and for all the customers of the County's landfill. If the Board approves this item, the first step would be for us to submit to the Florida Department of Environmental Protection (FDEP) to modify our operating permit. The County has agreed they would bear the costs of those permit modifications and reimburse FPUA on a monthly basis. We have a time limit for the review of that change which can be extended if mutually agreed upon. Mr. Perkins said FPUA did not want to have an open ended agreement where we have something at FDEP and it just hung there in limbo and that is in the agreement. This is not a new use of industrial deep injection wells. There are three or four sites he knows of in Florida that currently dispose of Leachate in these types of wells. They are a double-lined well and specifically designed for industrial waste. As part of the permitting process, the County will have to show to FDEP this waste is not a hazardous waste. You are not allowed to dispose of hazardous waste in deep injection wells. The burden in doing that analysis and the engineering studies to prove that will be on the County. It has been done successfully in several places, it is an accepted technology, and he is requesting the Board to approve it.

Mr. Drummond asked if there was a negative impact on the life of the well as a result of this additional deposit.

Mr. Perkins said the lining of the well is a fiberglass lining and it is resistant to the types of materials. The pH of the Leachate is somewhat low and acidic, but due to the cooling water that comes from the Power Plant, it will be greatly diluted and the pH will not be anywhere near a level that would cause any harm to the materials the well is constructed of.

Mrs. Cully asked what the timeline is and when the County can start using it.

Mr. Perkins said that knowing FDEP, we foresee it will take the remainder of the fiscal year to get our permit modified and we propose to use the capital funds for the improvements, which are limited to onsite improvements. The County will bear all the costs for the offsite improvements for the piping to get it to us. We would not actually begin constructing any facilities until next fiscal year, assuming the permit is modified and issued to FPUA.

A motion was made by Mr. Perri, seconded by Mr. Drummond and unanimously carried to approve the Landfill Leachate Disposal Agreement between St. Lucie County and Fort Pierce Utilities Authority.

Mr. Perri said he hopes the County reduces our fees when that comes into play. He said he thinks they raised them because they had to truck it somewhere.

John Tompeck, Superintendent of Gas Operations, presented the natural gas rate stabilization fund update for November. He said in addition to the update, staff is recommending a decrease in the PGA of \$0.05/ccf from \$0.30/ccf down to \$0.25/ccf. The sensitivity analysis has been rerun to include the August data and the preliminary September data. To get a near term outlook on natural gas, it is very good. The prices are low and are expected to remain stable for the foreseeable future. Natural gas production in the country is averaging about 70 Bcf/day. To try and put that into some kind of context, during shoulder months, which are the spring and the fall when gas usage is a little bit less, we generally use about 55-60 Bcf/day. We are producing more than we are using this time of the year and the rest of that is going into storage. The storage projections are ahead of the normal 5-year average and what that means is the outlook for supply during the winter months is very good. Demand is still soft and we still are in the shoulder months of consumption. The outlook overall is very good. Mr. Tompeck said the other thing that is good is we have moved into FY 2012 and our pre-purchased gas for 2012 is less expensive than the pre-purchased gas we had in 2011. In FY 2011 we hedged about 64% of our gas at an average price of \$5.44/Dth. In FY 2012 we have 54% of our gas hedged at an average price of \$4.77/Dth. What he tried to do in the first slide is to give an idea how FPUA pre-purchases gas. It shows a price curve for gas for FY 2011 and shows how the price of gas fluctuates quite a bit. As opposed to 3 or 4 years ago, it was fluctuating between \$8 to \$14, and now it is now between \$3.70 and \$4.80. Mr. Tompeck said what they try to do is analyze the price every day and look at the NYMEX to see where the price is. They take information from a group of different sources like the American Gas Association and Florida Natural Gas Association and try to find and figure out exactly when it is going to be at its lowest so they buy a strip at that point and time. The red arrows indicate where FPUA bought strips in 2011 and were able in most cases get a fairly reasonable price on the strip. That is why we are in pretty good shape in terms of pre-purchased gas for 2012. The table shows the natural gas curve pretty much the same as the last one except it is a little bit more up to date. It is interesting to note at the very edge of the curve the little increase from \$3.5 to \$3.85 occurred on Friday. What happened on Friday is they had a pretty big snow storm up in the northeast and the prices jumped up a little bit. Mr. Tompeck said he expects it to go down in the next couple of days and get back to the \$3.60 to \$3.70 level. When we compare our hedge prices and the

softer swing gas prices, the overall cost of gas to FPUA has been reduced. Those lower costs are outlined on the rate stabilization fund. With the exception of the PGP#2 amortization which we took in September, we have been steadily over collecting. We expect that trend to continue, although it will stabilize a little bit during the winter months when we lag in sales, but it will accelerate after the winter starting around February. We ran a case for reducing the PGA by \$0.05 and that is the dark blue curve on the bottom. We will probably under collect for a couple of months, but that is only between December, January, and February when we lag in sales. We will start to over collect again, but it will be at a much less rate. Because where we think the price will be we do not expect we will be back down to the rate stabilization floor in the near future. Staff is recommending a reduction of the PGA by \$0.05/ccf from \$0.30/ccf to \$0.25/ccf, effective December 1, 2011. Mr. Tompeck said just as a note, this is the first adjustment made to the PGA since June 2010.

Mr. Drummond asked Mr. Tompeck if he had the opportunity to look in terms of the impact of the additional movement of the PGA as a result of this agreement.

Mr. Tompeck said yes that when he originally talked to Mr. Thiess about moving the \$0.17 over, he thought it made sense because the \$0.33 which was originally in the budget was probably about the price of gas when that was set up. He said they took a look at where they expect the price of gas now plus transportation and thought that would be \$0.48 to \$0.50 so moving \$0.17 over from the PGA to the rate base made sense. Now that would leave about \$0.12 and lowering it, we would have about \$0.08 left in the PGA after we transfer the PGA back to the base rate. We have a good chunk of money in the rate stabilization fund, which is the intent to have some money to back us up in case there were some of these very large rate fluctuations. Mr. Tompeck said he is comfortable with what they have right now. Unless there is some kind of natural disaster and the prices go berserk, we are in very good shape.

Mr. Delulio asked if we have a really cold winter up north how that would affect us.

Mr. Tompeck said a real cold winter would not affect it because we have a lot of gas in storage and they put extra gas in storage this time of the year for the winter demand. He does not expect any kind of an increase unless there is a real catastrophic event. Cold weather is not going to be a problem. One of the nice parts of what is going on now is that about 14% to 15% of the gas that is being harvested is through shale gas so there is a little dependence on some of the wells in the gulf. There is a little more cushion for some of these national disasters that we have had in the past.

A motion was made by Mr. Perri, seconded by Mr. Drummond, and unanimously approved to decrease the PGA by \$0.05/ccf from \$0.30/ccf to \$0.25/ccf effective December 1, 2011.

Pulled from the agenda was item F.1a. - Administrative Hearing: Bid Protest, Bid No. 6076 – Vehicle Maintenance Repairs because there was no response from the vendor of the letter sent via Federal Express.

Dewey Hudman, Administrative Coordinator with Water Distribution presented Bid No. 6076 – Vehicle Maintenance Repairs. He said Staff has put together a vehicle maintenance and repair bid representing five departments for a \$70,000 value. It is a one year term and we have two one-year renewal options in it. There were ten vendors that requested specifications, five of them responded, and one was with a no bid. We had four bids to compare and Staff is recommending St. Lucie Battery and Tire be awarded this bid.

A motion made by Mr. Perri, seconded by Mr. Drummond and unanimously approved Award of Bid No. 6076 – Vehicle Maintenance Repairs to St. Lucie Battery and Tire, of Fort Pierce, FL for a cumulative amount of not to exceed \$70,000.

Mr. Thiess said Mr. Perri was going to go to the Legislative Rally APPA organizes every year in Washington. That is where we can get our wishes and opinions across to our Legislators up there. Mrs. Cully has been there a couple of times. Mr. Perri has a conflict now and will not be able to go. The rally is March 12 through March 15 in Washington and is open for other Board Members if they are interested in doing that trip. It is chaperoned by Mark McCain and his group at FMPA. It is an interesting trip and you could talk to Mrs. Cully since she has been there twice and Mr. Perri went last year. It is a way to get up there and see how things work and it is all concentrated on public power issues. If you are interested in attending, we need to know rather quickly so we can ask staff if nobody from the Board wants to attend. If we are not sending somebody from Fort Pierce, they do have somebody in the waiting position to take that spot if one of us does not take it. Call Director's office by the end of the week if you are interested.

Mr. Perri said he was reading on the internet from FMPA where FP&L got the go ahead to add \$2.20 per month on the household bill for nuclear plants yet to be built. They are getting closer to us in price and are also going for a rate adjustment after the first of the year. He said they probably will get that and FPUA will probably be in a lot better light when they compare us to FP&L bills.

Mr. Perri said FMPA has had their audit results from their contract auditor about the St. Lucie Plant and found that they over billed FMPA \$1.5 million for 2009-2010. FP&L has written a check for \$1 million and the remaining \$500,000 or \$469,000 will be refunded on future monthly invoices.

Mr. Perri asked what the status is on FPUA's new bill format.

Mr. Thiess said he knows we are getting close, but he does not have an update, but he will get one to the Board. He said we have seen some near final proofs and are very close.

Mr. Perri said when he was in Georgia last week, Elsie Salter called him about her odor in the school and FPUA sent somebody over there.

Mr. Perkins said we responded to her daycare center, conducted a smoke test, and found that she has a vent that is improperly installed. It comes out the side of her building, under the eaves, and she needs to have her plumber redirect that up through the roof. Mr. Perkins said they did some modifications when they added bathrooms and the plumber needs to correct it.

Mr. Perri said he told her he would get back with her this week.

Mr. Perkins said they informed her of their findings.

Mr. Perri said he would like to bring it up again since we have a new Board Member that he would like to get the meeting time changed so the working public can come to this meeting. He would like to get a flyer in the bill and instead of diluting it like we did the last time, just ask one simple question. Would you like to change the FPUA Board meetings to 6:00 p.m. with a yes or no block? He said then we could get a true consensus out there and would like to do that again. It causes him a lot of grief that we cannot get the public to participate and one of the reasons is most of them are working.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN